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Jean Jewell

From: gfleisch986@hotmail.com
Sent: Wednesday, October 10, 2007 3:43 AM
To: Tonya Clark; Jean Jewell; Gene Fadness; Ed Howell
Subject: PUC Comment/Inquiry Form

A Comment from Gerald Fleischman follows:

Case Number: IPC-E-07-15
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Add to Mailing List: yes

Please describe your question or comment briefly:

Do you want to err on the side of having PURPA published rates too low and end up with fewer QFs than would be optimum or having rates too high and have more than the optimum number of QFs? It would seem pointless to go against the natural gas forecast of the Northwest Planning and Conservation Council's economists and all the other forecasts quoted in the most recent NWPCC's forecast unless you have your economists who can do this. I don't think you have that. Somehow you have gone against the forecast in the past. How did you do it then?

The forecasts that show natural gas and oil prices lower in today's dollars 25 to 30 years from now seem ludicrous on their face. How do economists factor in the idea of Peak Oil? The Mexican oil field Cantarell, on which Mexico depends for a good share of its economy is running out of oil. Has Mexico made the necessary preparations for its production of oil to diminish? In his book, Guns, Germs and Steel, Jared Diamond makes this comment:

"Today's ephemeral wealth of some of the region's [Fertile Crescent] nations, based on the single nonrenewable resource of oil, conceals the region's long-standing fundamental poverty and difficulty in feeding itself."

Who is talking about running out of oil anywhere and what it might mean? Although this statement seems to be obvious, we still regard the nations of the Middle East as wealthy and do not consider that their source of wealth may be finite.

Another quote from the same book:

"Still another way of describing the complexity and unpredictability of historical systems, despite their ultimate determinacy, is to note that long chains of causation may separate final effects from ultimate causes lying outside the domain of that field of science. For example, the dinosaurs may have been exterminated by the impact of an asteroid whose orbit was completely determined by the laws of classical mechanics. But if there had been any paleontologists living 67 million years ago, they could not have predicted the dinosaurs' imminent demise, because asteroids belong to a field of science otherwise remote from dinosaur biology. Similarly, the little Ice Age of 1300-1500 contributed to the extinction of the Greenland Norse, but no historian, and probably not even a modern climatologist, could have predicted the Little Ice Age.'

How good are these forecasts. The differences between the council's 2005 forecast and the new draft forecast are dramatic. Prices have increased considerably, but it seems the only changes are to account for recent high prices, so if anything the new forecast has a bigger hump at the beginning than the previous forecast.

I don't know how you can defend a decision to go against the NWPCC's forecasts, even if they turn out to be quite wrong as they have just proven to be over the last two years.

Perhaps you could factor in Peak Oil to justify following the high forecast. I noticed in the new draft forecast that the authors were bragging that the actual price of natural gas, even as high as it became over the last couple of years, was still within the low-high forecast window. They have now broadened this window to something like plus or minus \$2. That should make it easier for actual prices to fall within the window. Still it is interesting to note that October 8th price of oil at \$79.02/barrel is not even on the chart the NWPCC shows for oil price forecasts. (If your wondering what the price of oil has to do with the price of electricity in Idaho, the NWPCC forecast does a good job of showing their correlation)

I'm also not sure if you can factor in the economic attributes of QF facilities for the state of Idaho. They put much more money into the state than do external, or even internal coal powered resources.

Also, how do you factor in the concept that amortized wind is lower cost than amortized coal (see figure below, also from NREL)

I think perhaps the best approach is to take the high forecast or continue with what is currently being done.

The form submitted on <http://www.puc.idaho.gov/forms/ipuc1/ipuc.html>
IP address is 75.216.184.48
